

Executive Registry
63-16091

The Honorable Herb Gordon
Director
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Gordon:

Forwarded herewith are the Fiscal Year 1965 budget estimates for the Central Intelligence Agency. The material is presented in two parts containing summary budget data with explanation of changes in the Agency's program activities and detailed budget estimates for individual offices within the Agency. Also, in view of recent discussions with you and Mr. McGeorge Bundy on world-wide covert action programs of the Agency, we are highlighting, as part of the budget submission, a detailed geographic outline by country of the funding for Agency clandestine activities over a three-year period.

For Fiscal Year 1965 the Agency is requesting [] in New Obligational Authority, a level which we feel represents a careful and conservative estimate of resources needed to meet the Agency's full range of responsibilities in Fiscal Year 1965. Your letter of August 19, 1963 set forth a planning figure of [] for the CIA Fiscal Year 1965 budget, but you noted that this figure did not include provision for the full scope of on-going paramilitary activities in Southeast Asia. Our [] request provides for the continuance of all Agency-directed paramilitary programs, although at a somewhat lower scale than we are presently estimating for Fiscal Year 1964. The difference between our Fiscal Year 1965 budgeted NOA and the Bureau's planning total adjusted to accommodate SEA operations is approximately []. Should there be policy changes which permit a material reduction in paramilitary requirements for the Agency in Southeast Asia, the total level of [] could be reduced correspondingly.

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The Agency budget has been developed in the light of our discussions of July 9, 1963 and your letter of August 19, 1963. Accordingly, the budget initially proposed in our Long Range Estimates for Fiscal Year 1965 is considerably reduced, and in response to the Bureau's suggestion, proposes a significant cut-back in the budget build-up for communications activities. The [redacted] level provides for necessary development in the primary mission areas of the Agency--intelligence production, clandestine collection and covert action. The budget permits needed adjustment in other important areas such as domestic operations, research activity and foreign documents exploitation, as well as increased costs anticipated by the Agency in support of the National Reconnaissance Program and the National Communications System.

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Your letter of August 19, 1963 asked that if the Agency finds it necessary to exceed the Bureau of the Budget planning figure that we indicate how we would hold to that level. Given our present range of responsibilities and pressures for development in selected fields as indicated above, if held to the planning figure, the Agency would be compelled to reduce or eliminate activities which, as important as they are, under these ground rules become secondary to the Agency's mission. The candidates for such an action include: (1) paramilitary activity in those fields where the operation is not in direct support of the Agency clandestine mission; (2) overseas collection in the [redacted] field; (3) those activities operated by the Agency in support of national policy but which do not directly contribute to the collection and production of intelligence; and (4) those activities operated by the Agency in support of other departments of the government but which are not required in their entirety to meet Agency responsibilities.

You will note that the accompanying submission indicates a Fiscal Year 1964 year-end on-duty figure for the Agency of [redacted] STAT. This figure, which we feel is realistic, will exceed the year-end total set forth in your letter of December 20, 1962. We feel this manpower build-up is consistent with our Fiscal Year 1964 program and budget objectives as presented by the Director of Central Intelligence to the Bureau of the Budget and to the Congress. I am bringing this matter to your attention at this time in accordance with your letter of December 20, 1962, rather than delay until our appropriation is finally approved by the Congress. We will be happy to meet with Bureau representatives for the purpose of outlining our recruitment trends and program objectives which support our new manpower year-end total. Reprogramming of funds will be undertaken during Fiscal Year 1964 to cover the costs of this growth.

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As regards the Agency Fiscal Year 1965 personnel requirements, the accompanying budget proposes an increase from [] in Fiscal Year 1964 to [] in Fiscal Year 1965. These increases are largely in support of communications expansion and additional support to intelligence production and covert and technical collection. Competing demands for personnel within the Agency are carefully weighed both to determine the validity of need and to assure an optimum allocation. We feel our programs in this regard are consistent with the objectives set forth by the President for manpower utilization and that the personnel requirements set forth in this budget are minimum.

As required by Section 1311(b) of the Supplemental Appropriations Act, 1955, as amended (31 U.S.C. 200(b)), I am reporting that all statements of obligations furnished the Bureau of the Budget in connection with the CIA request for proposed appropriations for the Fiscal Year 1965 consist of valid obligations as defined in Section 1311(a) of that Act.

Faithfully yours,

Marshall S. Carter
Lieutenant General, USA
Deputy Director

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20 SEP 1963

The Honorable Kermit Gordon
 Director
 Bureau of the Budget
 Washington 25, D. C.

Dear Mr. Gordon:

In response to your letter of 29 July 1963 to the Director of Central Intelligence and the instructions contained in BOB Circular A-44 (Rev.), attached is the CIA annual report on the status and accomplishments of the Agency's manpower control program. Further detailed schedules containing Agency manpower data will be included as part of our annual budget submission.

In spite of the heavy demands to increase intelligence coverage, responsiveness, and production and to improve quality, Agency personnel levels

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have remained relatively constant. This has been achieved by the reallocation of manpower resources to reflect adjustments in relative priorities and by the application of labor-saving techniques and devices where feasible. In some instances, reallocation of manpower has been possible only at the expense of deferring or eliminating activities which, in an overall Government context, remain of proven value but do not command sufficient priority within the limited resources of this Agency.

The attached report is outlined in some detail in response to the request of the Agency Bureau examiners. We are anxious to assure a complete understanding of the Agency's manpower efforts by the Bureau, and accordingly I have instructed my Comptroller to continue to provide informal information to the Bureau examiners on our current progress in these important fields. It is my view that reports, such as the attached, merely formalize what is known to the Bureau examiners as a result of their continuous contact with the Agency's Budget Officer.

Sincerely Yours,

(signed) Lyman B. Kirkpatrick
 Lyman B. Kirkpatrick
 Executive Director

Enclosure

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September 1963

Annual Manpower Control and
Utilization Report

Reference: Bureau of Budget Circular No. A-44 (Rev.), dated 31 October 1962
and Transmittal Memorandum No. 2, dated 18 July 1963

A. Introduction

1. The Manpower Control Program of the Central Intelligence Agency has as its objectives the optimum utilization of personnel resources to accomplish the Agency mission with a minimum employment level. It has been shaped within the context of the Agency's legal authorities and assigned responsibilities and contains four fundamental ingredients:

- a. Provisions for a control framework under which adequate flexibility exists to permit the acquisition, assignment, career development and utilization of a broad base of talent and skill in numerous organizational modes to meet a continuously shifting intelligence requirement.
- b. Provisions for the unique requirement of security of personnel engaged in clandestine operations.
- c. Provisions for continuous review of the relationship between manpower needs and assigned tasks, including the measurement of personnel performance.
- d. Provision for reductions of surplus personnel, normal separations and retirement.

2. The CIA Manpower Control Program is the product of many years of experience which has shown that fundamentally, in the intelligence field, manpower utilization and control must be a function of line command supported by designated staff officers such as the Director of Personnel, Director of Training, Comptroller, etc. The program and policy is defined in directives and regulations emanating from the Director. They provide for the adaptation of traditional management control devices (e.g. Tables of Organization) to the specific and unique needs of the Agency and centralize the overall control responsibility. The principal control vehicles include (1) a flexible staffing complement concept for organization control, (2) adherence to on-duty strength ceilings and average grade for overall budget control, (3) job classification for position and salary control, (4) career service grade authorizations and standards for promotion control, and (5) assigned training for career development control (See Tab A for elaboration on these systems).

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6. In FY 1963, in response to reference circular A-44, the Agency appointed a Manpower Control Officer. Responsibility for manpower control was located in the Office of the Comptroller. Within this framework, study was begun on systems to sharpen manpower control making it more responsive to program needs and tying it closer to budget and program review. Several reviews of manpower utilization were initiated, e.g. a survey in depth of budget and finance personnel utilization and procedure; an overall Agency senior secretarial placement and utilization survey; a review and report on the use and value of the Agency's summer employment program; a review of security and guard force levels; a study of the Agency's requirements for paramilitary-qualified personnel assets; etc. Other aspects of the Agency's overall manpower program, including such things as the Agency's skills inventory, the medical re-examination program, and the security investigation of on-duty personnel, etc., have had to be deferred or slowed down materially because of the pressure of other priorities.

7. Also, during FY 1963, the application of electronic data processing and computing machinery and techniques to a wide variety of matters bearing upon manpower has been given increased emphasis by the management of the Agency. However, experience in this field clarifies one essential point, and that is, that the application of electronic data processing machinery

* It is felt that the workload absorption brought about through uncompensated overtime and lapsed annual leave is not, in the long run, wise use of our Agency manpower. Therefore, some adjustments upward in selected ceilings can be anticipated from reprogramming in FY 1964 and FY 1965.

will not, per se, result in any direct savings in manpower. The value of EDP to this Agency lies in its capacity to absorb increase in workload, to upgrade accuracy, and to perform tasks (particularly in the communication and the business management data field as well as in the area of scientific computations) which could not be performed in any other manner without substantial increase in personnel.

D. Future Plans

8. During FY 1964 and FY 1965, the program of evaluation and review of manpower requirements and allocations throughout the Agency will be continued. Particular attention will be given to re-examination of overseas personnel needs in the light of the balance-of-payments problem. A program for the further development of manpower control has been outlined and includes the following:

- a. The development of control indicators which identify and forecast manpower trends requiring considerations by Agency management.
- b. The further tie-in of manpower controls with budget and program review procedures and the possible application of EDP to the study of program, cost and manpower relationships.
- c. Examination of the effectiveness of current policies, systems and procedures applicable to the establishment of staffing complements, personnel strength authorizations, average grade authorizations and the relationship of each of these to the manpower and budget control process. This study will include proposals for revision of existing systems and procedures wherever justified.
- d. The undertaking of research on possible methods and techniques to establish valid workload, productivity and performance measurement norms for several intelligence activities. It is felt that examination of the possibility of relating manpower input to intelligence output through a system of computing average manpower expenditures in relationship to the intelligence missions over time (by function and geographic area) may provide some means in the future for developing comparative productivity measurements even though absolute unit measurement appears impractical. Further attention will be directed toward exploration and research on this problem in the context of program analysis.

9. Other areas such as training, personnel qualification standards, and personnel reassignment practices will receive, as in the past, the continuing attention of management throughout the Agency. Modification of current practices will be adopted whenever evidence exists that change is necessary to increase efficiency and effectiveness.

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TAB A

**TAB
A**

Annual Manpower Control and
Utilization Report

MANPOWER CONTROL AND UTILIZATION SYSTEMS
OF THE
CENTRAL INTELLIGENCE AGENCY

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MANPOWER CONTROL AND UTILIZATION SYSTEMS
OF THE
CENTRAL INTELLIGENCE AGENCY

A. Mission Directives and Program Review

The broad framework which establishes the parameters of activity to which manpower is assigned is maintained through two management devices - (1) the establishment of mission statements and directives setting forth the scope of activity in which the components of the Agency are authorized to engage and (2) the development, review and approval, through the chain of command of programs, projects and budget levels.

B. Flexible Staffing Complements (T/0s)

Some years ago the permanent and intractable WWII military-style Tables of Organization were replaced by a flexible Staffing Complement concept which sets forth the basic unit and position structure. This action provided the operating chief with machinery to reallocate manpower to meet changing needs with a minimum of bureaucratic effort and has reduced "unofficial" detailing of manpower outside the framework of the approved organizational structure. The manpower requirements and the organizational structure, which constitute the Staffing Complement, are resubmitted and reviewed annually for each Agency component and are an integral step in the overall budget process.

C. Personnel Ceilings

On-duty ceilings are established for each Agency component each fiscal year through the budgetary preparation and review process. The Director of Personnel, in conjunction with the heads of each Directorate, by regulation, supervises the adherence of Agency components to their assigned on-duty authorization. This is accomplished through (1) a statistical reporting system which interrelates, for senior management officials, the ceiling, on-duty, and recruitment posture of each component of the Agency on a monthly basis, (2) assignment of senior staff officers at each Directorate and operating component level, who, reporting directly to the senior line officers of their respective components, have immediate administrative responsibility for daily control of on-duty strength in relationship to ceiling and funding within the approved FY financial plan, and (3) the continuous review at the Agency Comptroller level of the manpower situation for the Agency as a whole as well as each component in order to assure that the program intentions of the Director are implemented as regards the allocation of personnel and money resources.

D. Position Classification and Average Grade

The Director of Personnel carries out the Director's statutory responsibility for establishing position grades and salary scales within the Agency. The Agency employs the Civil Service Commission salary/grade

TAB A
2

pay system and position standards wherever possible. The Chief, Salary and Wage Division of the Office of Personnel carries out detailed analyses of proposed revisions in staffing complement positions as well as scheduled position audits on an Agency-wide basis. Position average grade by component is utilized as a central control over position classification. Agency policy prohibits upgrading unless one of two factors is eminently clear - (1) the duties and responsibilities of the position must have been changed in scope and nature to such an extent that regrading is necessary to maintain comparability with similar positions elsewhere in the Agency and the Government, or (2) an obvious error was made in the grade originally assigned at the time the position was established. Lastly, position upgradings which result in the changing of the average grade of any Agency component by 1/10 of a grade are reviewed by the Comptroller.

E. Manpower Utilization and Personnel Management

In addition to the controls exercised over position grade within the approved Staffing Complement, controls over the promotion of personnel are maintained through a Career Service Grade Authorization system monitored by the Director of Personnel. Each head of a Career Service has the responsibility for assuring the continued availability and development of trained personnel within the professional fields for which he is responsible. Annually there is prepared a Career Service Grade Authorization for each Career Service which governs the numbers of promotion actions which may be effected by the Career Service Head during the ensuing year. Since it is not Agency policy to promote personnel to the authorized grade of a position concurrent with assignment to that position, Career Service Grade Authorizations normally reflect a grade structure below the Staffing Complement (T/O) grade structure and serve as a mechanism for the planning of orderly personnel promotion actions and the control, on an annual basis, of the on-duty grade distribution within the Agency.

F. Correlated Management of Money and Manpower

Although the operating responsibility for manpower utilization has been decentralized to the Directorate level and the necessary administrative staff personnel have been assigned at the operating level, overall integration of manpower allocations within the funding and budgetary process has been retained by the Director and is executed by the Comptroller. Through a process of financial planning and continuous review of personnel, financial and program status reports, the Comptroller monitors the personnel levels assigned to activities throughout the Agency and, as necessary, makes appropriate recommendations to the Director or Deputy Directors. Proposals for changes in authorized strengths of Agency components are submitted to the Comptroller for final review and recommendation. The relationship of the numbers of people authorized and on duty to the availability of funds is thoroughly and continuously analyzed in order to assure conformance with the approved financial plan.

TAB A
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G. Training and Career Development

Recognizing the unique nature of the many professional skills required to perform the variety of activities for which CIA is charged, this Agency has established training practices specifically designed to assure that all employees receive the training needed to (1) promote efficiency and economy in the operation of the Agency and (2) to develop and maintain the skills required to sustain the highest possible standards of performance. Although the implementation of this policy rests squarely upon the line command supervisors, senior operating officials are aided in the achievement of these objectives by several established training programs under the overall supervision of the Director of Training:

- (a) Entrance-on-duty training which consists of combinations of formal courses to provide the necessary introductory instruction for clerical and professional personnel new to the Agency.
- (b) A Language Development Program to develop skills in foreign languages required to discharge the mission and functions of the Agency.
- (c) Junior Officer Training Program designed to accomplish systematically the objective of selecting and preparing highly qualified young men and women for professional careers in the CIA intelligence service.
- (d) An Internal Training Program designed to provide training in management, clandestine operations, area studies, and administration which deal with problems unique to the conduct of activities in this Agency.
- (e) An External (non-CIA facilities) Training Program designed to provide training, under the Government Employees Training Act of 1958, to employees requiring various specialized courses for which it would be wasteful to organize internally. These involve training - normally at the graduate level - in military, scientific and political and social science fields.
- (f) An Employee Testing Program which includes not only entrance-on-duty clerical and professional test batteries, but also a psychological and psychiatric evaluation program designed to ascertain, to the degree possible, the emotional suitability of present and prospective employees for various types of assignments, not only at headquarters but particularly overseas.

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TAB B

Annual Manpower Control and
Utilization Report

EXAMPLES OF
WORKLOAD INCREASES

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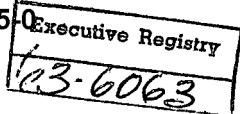
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Executive Director

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EXECUTIVE OFFICE OF THE PRESIDENT
 BUREAU OF THE BUDGET
 WASHINGTON 25, D.C.

JUL 29 1963

Honorable John A. McCone
 Director, Central
 Intelligence Agency
 Langley, Virginia

Dear Mr. McCone:

This is in reply to your recent letter advising of the manpower control and utilization program for the Central Intelligence Agency, in accordance with Bureau of the Budget Circular No. A-44.

For the past several months, we have been engaged in a study of program statements submitted by a large number of agencies. In our review of your program statement, it appeared that further information would be needed to round out the coverage of various areas in response to the guidelines stated in Circular A-44. Informal contact between members of our respective staffs has subsequently taken place. Representatives of your agency also participated in the recent Senior Government Officials Conference at Airlie House relating to the President's manpower program.

It is our understanding that you have instituted several internal changes which, when completed, will affect the organization responsibility and basic procedures relating to your manpower utilization plan. As soon as these changes are implemented and effective, we will appreciate your furnishing to us a new statement of your agency program through the normal security channels to replace the one submitted earlier.

The review of your annual budget submissions will offer further opportunities to evaluate results of your manpower control and utilization program. We will review the estimates of your staffing requirements for fiscal year 1965 in light of the guidelines laid down in Circular No. A-44. Bureau staff will be available for any consultation which may be desired in advance of such review.

Sincerely,

KERMIT GORDON
 Director

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Executive Director

1 Aug 63

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